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C O N F I D E N T I A L SECTION 01 OF 03 ALGIERS 000970

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COMMERCE FOR NATE MASON
STATE PASS USTR FOR BURKHEAD

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TAGS: [PREL](#) [PGOV](#) [ETRD](#) [ECON](#) [KWBG](#) [KPAL](#) [KISR](#) [IS](#) [IR](#) [AG](#)
SUBJECT: A/S FELTMAN'S MEETING WITH ALGERIAN PRIME MINISTER
OUYAHIA

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Classified By: Ambassador David D. Pearce. Reason: 1.4 (b), (d).

Summary

¶1. (C) In an October 21 meeting with NEA A/S Feltman, Prime Minister Ouyahia was broadly receptive to the USG theme of economic and security partnership in the region. He said Algeria wants to adopt a market economy but needs time to strengthen its industry to meet world competition. While urging that U.S. firms invest in Algeria as a strategic platform to sell to African and European markets, he defended GOA measures tightening regulation of investment and trade as a response to skyrocketing imports and illegal foreign exchange practices. He supported resuming consultations with the U.S. under our Trade and Investment Framework Agreement. Ouyahia welcomed conclusion of a customs agreement and mutual legal assistance treaty, but asked for time on Open Skies. Ouyahia said Algeria would support measures on Western Sahara proposed by UNSYG Personal Representative Chris Ross while pursuing better relations with Morocco. In the Middle East, Algeria would neither move to normalize relations with Israel prior to a general settlement nor do anything to upset the situation. He believed U.S. and Algerian aims in Africa were largely congruent. End summary

¶2. (C) NEA A/S Jeffrey Feltman met with Algerian Prime Minister Ahmed Ouyahia October 21 in the latter's office in the Palace of Government. Ouyahia was accompanied by Foreign Minister Mourad Medelci, MFA Americas Department Director General Fatiha Bouamrane Selmane, MFA U.S. Desk Director Ali Drouiche, and an MFA contract translator. Feltman was accompanied by the Ambassador, Feltman staff aide Schwedt, and Embassy Pol/Econ Chief (notetaker). A/S Feltman explained that his visit was intended to build on our bilateral relationship, currently focused on counterterrorism and energy. We wanted to deepen our cooperation with Algeria in the region: Algeria had a strong voice in Africa, the Arab and Islamic worlds, and non-aligned fora. The Obama administration placed a new emphasis on partnership and on reviving efforts in international organizations. Terrorism in the Sahel was a good example of a problem that could be fought only in a multilateral effort. The PM said the U.S. and Algeria had excellent ties since independence. During the difficult 1990s, the U.S. had sometimes supported Algeria and at other times shown "positive neutrality."

It's the Economy, Stupid

¶3. (C) Ouyahia outlined his country's recent economic history and his government's goal of diversifying the

economy beyond hydrocarbons, which now accounted for 95 percent of Algeria's exports and 40 percent of GDP. The country had a young population for whom the government had to build an economic future. That would require economic and social stability that would survive the end of Algeria's oil and gas production forty years hence. Algeria's post-independence Soviet economic model had worked for a while, but Algeria then opened the economy in the late 1980s only to lose time during the 10-year domestic conflict of the 1990s.

¶4. (C) Algeria had achieved political stability following that conflict and now sought to create "legal" stability that business needed Q) an area where he admitted Algeria had made steps forward and backward. He defended recent measures to regulate foreign transfers by the fact that foreign companies had made "huge profits in a not entirely honest manner." A Spanish company had repatriated USD 600 million without informing Algerian authorities. The 51-percent Algerian partnership requirement for foreign direct investment (FDI) would leave the investor with majority control because the Algerian share would be split among two or more entities. Ouyahia said FDI should use Algerian credit, since the Bank of Algeria was sitting on a huge amount of funds. He also said the U.S. and Algeria should meet under our Trade and Investment Framework Agreement (TIFA). We had not done so since 2005. Algeria wanted more U.S. investment. He believed that U.S. firms should use Algeria as a strategic platform to supply Algerian, European, and African markets.

¶5. (C) A/S Feltman expressed appreciation for the recent GOA decision to authorize Air Algerie to buy Boeing aircraft. The U.S. and Algeria were close to concluding a customs agreement and a Mutual Legal Assistance Treaty. When signed, these agreements and the Boeing sale would give a good signal

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to U.S. businesses about Algeria. He urged the PM to follow up on an Open Skies agreement.

¶6. (C) A/S Feltman observed that U.S. businesses had no doubt about Algeria's political stability but did have reservations about legal stability. The sudden imposition of a 51-percent Algerian majority partnership requirement for all foreign investment, and a letter of credit as the only means to finance imports, were departures from international investment and trade practices. We should revive the TIFA Council to discuss bilateral trade and investment issues and also discuss the state of Algeria's WTO accession efforts.

¶7. (C) Ouyahia conceded that some of the recently-adopted economic measures were "brutal." (Note: he was referring to parts of the July 2009 Complementary Finance Law and certain earlier decrees. End note) The GOA adopted them in response to the international financial crisis, a sudden rise in Algeria's imports, and "parasitic" practices in foreign transfers. Algeria also needed time before it could finish an Open Skies agreement with the U.S. The GOA would ask for time to resolve certain WTO accession issues. It had already taken some WTO problems "to the political level" with the EU and China and one day would come "knocking at the door" of the U.S. as well.

¶8. (C) Ouyahia declared that Algeria needed a market economy, but it also needed time to adapt to competition. It sought integration with the world economy, not a "tsunami" of foreign products that would overrun domestic production. He pledged that Algeria would negotiate frankly on WTO, with all its cards on the table.

Regional Security

¶9. (C) Prime Minister Ouyahia said that Algerian and U.S. policies in Africa were consonant and aimed at stability,

ending conflicts, and promoting development. Following a 1999 African Union resolution not to recognize regimes that came to power by force, Algeria had encouraged all sides in Mauritania to return to the path of elections. Algeria had helped Mali address its Tuareg problem. Algeria was using its modest means to help Sahel countries develop including through the "New Partnership for African's Development" (NEPAD). Ouyahia said that Algeria contributed to regional good governance efforts.

¶10. (C) A/S Feltman stated that U.S. and Algerian views on Africa overlapped. We saw that Algeria enjoyed large credibility in the region and should exert a certain regional leadership role. We had noticed Algeria's constructive role following the Mauritanian coup, in obtaining Ethiopia-Eritrea agreement, and its role in Somalia and the AU. We wanted the Bamako summit of trans-Saharan leaders to succeed.

Terrorism

¶11. (C) Ouyahia opined that jihad in Afghanistan in the 1980s had helped lay the ground for terrorism in this region. Algerians had gone to fight there, and those that returned were the most "barbarian" of all Algeria's terrorists. Algeria had ended its 1990s war with terrorism and implemented a reconciliation program that, in 1999, had induced 6,000 terrorists to lay down their arms. The Salafist Group for Preaching and Combat (GSPC) had proclaimed allegiance to al-QaQ,ida and had recruited a few Algerians to fight in Iraq. Many had been indoctrinated in the Kabylie region just outside Algiers.

Middle East

¶12. (C) Ouyahia warned that failure to advance peace negotiations in the Middle East will create desperation and give birth to something worse than Hamas. The weakening of Palestinian leadership through internecine conflicts was worrisome. Ouyahia emphasized that the Palestinian issue was deeply embedded in Algerian public opinion. Algeria would not take steps to normalize with Israel prior to a resolution of the conflict, but neither would it do anything to "disturb anyone." A/S Feltman promised we would remain transparent in our policies concerning Middle East Peace.

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Morocco-Western Sahara

¶13. (C) Ouyahia expressed regret at the downward evolution of Algeria's relations with Morocco following Morocco's support for Algeria's liberation struggle and their bilateral 1972 treaty of friendship. Algeria had taken the Western Sahara issue to the UN immediately after it emerged. Algeria's hard-and-fast position (he called it part of Algeria's "religion" was self-determination and the prohibition of change of borders by force. There must be a referendum. Today, Algeria fully supported UNSYG Personal Envoy Chris Ross. The Baker plan "five years of autonomy for the Western Sahara, followed by a referendum" was a sound idea, but Morocco had rejected it.

¶14. (C) A/S Feltman said the U.S. fully backed the UN-led process. We did not presume to weight the eventual outcome of this process one way or another, as evidenced in the USG's explanation of vote in association with MINURSO's April 2009 renewal. He encouraged Ouyahia to look at the latest Ross proposals, which are meant to create an atmosphere conducive to progress. He also strongly encouraged Ouyahia to pursue better relations with Morocco separately from the Western Sahara issue. He stressed that we have made the same point to Morocco concerning its relations with Algeria.

¶15. (C) Foreign Minister Medelci interjected that Algeria was fully disposed to cooperate with Morocco. Algeria was open to a Maghreb summit even if held in Rabat. Algeria kept publicly silent on the ultimate solution for Western Sahara. It had never called Morocco's actions an "occupation." Ross would have Algeria's support, including for cross-berm visits.

¶16. (U) A/S Feltman cleared this message.

¶17. (U) Tripoli minimize considered.

PEARCE